

View

Political bargaining

THE events that unfolded with the swearing-in of a new Chief Minister to the North Central Province has brought into sharper focus the practice of collective bargaining in Sri Lanka, with the added dimension of family bartering.

Since 2005, as the United People's Freedom Alliance (UPFA) has entrenched its dominance over the United National Party (UNP) at elections, intra-party clashes within the UPFA have increased – as contenders bid to secure the most number of preferential votes. The keenest contest in the North Central Province (NCP) was between the incumbent Chief Minister Bertie Premalal Dissanayake, who secured 95,027 votes, and lost narrowly to S.M. Ranjith, who secured 105,232.

The press publicised pronouncements on both parties staking claim to the position of Chief Minister. The nature of the claims and bargains made provide an insight into normalised practices and values. The threat of provincial politicians pledging their fealty to Dissanayake and threatening to resign as well as the actual resignation letter issued by MP Malini Fonseka has taken up much space in the national media.

Verite research, a media think tank, in its observations noted that there were a couple of interesting developments to be gained from this Chief Minister bargaining saga. First, neither the press nor any of the actors seemed to believe that the democratic yardstick (gaining the highest preference votes) was adequate to determine the matter. The decision lay with the President, as the Leader of the UPFA. The organisation pointed out that Dissanayake bargained primarily on his deemed ability to sway the loyalty of other provincial councillors while Ranjith's bargain was made by his brother, S.M. Chandrasena, a Member of Parliament and Cabinet Minister in the UPFA.

Second, the press highlighted without criticism, a new 'family-limit' rule introduced by the President post-elections: that members of the same family could not concurrently hold a Cabinet as well as a Chief Minister position. According to reports, several others including Cabinet Minister Pavithra Wanniarachchi and her husband Kanchana Jayaratne (who polled the highest preferential votes in Ratnapura) were also confronted with the same arbitrary limitation. The lack of criticism reflects the cultural common-sense of bidding and bargaining as families, rather than as individuals.

Verite goes on to remark that Chandrasena's resignation secured the Chief Minister position for his brother Ranjith: bargaining away power in the centre for more in the province – the opposite of what the Sri Lanka Muslim Congress (SLMC) did in the Eastern Province. Perhaps then, devolved power is not as secondary as the SLMC has made it seem.

During the swearing-in ceremony, President Rajapaksa had insisted that this was the last time that CM posts would be handed out on preferential votes since a new election system would soon be passed by Parliament. Yet, one thing remains the same: CM posts remain meaningless unless they are used for the competitive development of provinces. Provincial politicians also need to remember that they must adhere to the will of the people rather than pledging allegiance to one politician.

This behind-the-scenes bargaining should not undermine the democratic process of electing leaders by the people's will.

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Job growth and sustainable development post 2012

Guest Column

By Dinesh Weerakkody



ALTHOUGH the Asian region is better prepared for economic turmoil than it was a decade ago, high levels of financial, trade and investment integration with the Western economies ensure that no country is immune to the effects of the Eurozone debt crisis.

While most of the European Union (EU) economies struggle to design new austerity measures to meet EU demands, the fallout still continues to spread outside the Eurozone. However, unlike before, the Asian region is better prepared for currency and balance of payment crises than it was a decade ago, having instituted wide ranging reforms, improved current account balances and built up a protective buffer of foreign exchange reserves.

Notwithstanding all these measures, high levels of financial, trade and investment integration with the Western economies leaves no country immune to the economic woes in the West. Therefore, the slowdown in the West arising from the European sovereign debt crisis will continue to exert significant downward pressures on growth in the region. There are a number of potential and economic vulnerabilities that raise serious concerns and need to be managed carefully by emerging economies in Asia to ensure continued economic growth.

Capital flows

The macroeconomic difficulties for most economies of the West, once again, will put pressure on the movement of short-term portfolio capital. During times of generalised international risk aversion, short-term

portfolio capital exits developing countries. Hence efforts aimed at preventing excessive currency depreciation reduce the availability of reserves to cover external short-term debt repayments and current account deficits.

Another potential vulnerability stems from the financial services sector although most Asian economies possess adequate reserve cover for external short-term debt at a macro level. However in some cases some of the smaller economies may run the risk of being overly dependent on foreign sources for their borrowing. The global credit crunch may result in governments coming under increased pressure in continuing to fund their development activities at high commercial rates.

Trade and investments

A third source of vulnerability is the region's dependence on trade and investments with developed countries. Even though regional trade has been growing impressively, it generally consists of raw materials, parts and components in the manufacturing sector. To a very large extent these exports are linked to demand for final consumer products in developed countries. The double dip recession in many developed countries will therefore before long find its way back to the region through a huge drop in trade, investments and tourism.

The increasing spill-over effects of the Western financial crisis into the real sectors and its evolution into an economic recession, combined with long term challenges posed by climate change, and huge volatilities in prices have all converged to pose a huge challenge for the Asian region. Due to the convergence of the political and economic crises in the West, Middle Eastern political turmoil must be taken into account when developing countries devise policy responses to face these emerging economic challenges post 2013.

Policy response

The challenge for most governments would be to redesign fiscal policy — and economic policies more broadly — in order to strengthen its impact on employment and aid in its tran-

sition from purely a demand stimulus to one that promotes structural change for more sustainable economic growth.

Stimulus packages should move away from mostly focused on income support measures, with tax-related measures accounting for more than half of the stimulus provided. In many countries, such as Argentina, China and the Republic of Korea, in contrast, infrastructure investment tended to make up the larger share of the stimulus and has strengthened the supply-side conditions.

The optimal mix of supporting demand directly would be through taxes or income subsidies or indirectly through strengthening supply-side conditions and by investing in infrastructure and new technologies, but in most contexts, direct Government spending tends to generate stronger employment opportunities.

Role of the State

In most Asian economies the state will remain the single most important organising unit of political, economic, and security affairs, but will confront fundamental tests of effective governance. The first will be to benefit from, while coping with, several facets of globalisation. The second will be to deal with increasingly vocal and organised publics. The elements of globalisation — greater and freer flow of information, capital, goods, services, people, and the diffusion of power to non state actors of all kinds — will challenge the authority of virtually all governments.

At the same time, globalisation will create demands for increased international cooperation on transnational issues. All states will confront popular demands for greater participation in politics and attention to civil rights — pressures that will encourage greater democratisation and transparency. This provides a unique opportunity for all emerging economies in Asia to reorient economic growth towards a long-term development path that is inclusive and politically sustainable.

(The writer is a Senior Company Director.)

Global competition and policy options for Lanka

Guest Column

By Srinath Fernando



THE location of Sri Lanka has a strategic significance and this has been proven by the historical trading activities between Sri Lanka and ancient China, Egypt, and the Roman Empire. There is ample evidence to show that Sri Lanka was a main trading hub in Asia. The reasons for occupation of Sri Lanka by the colonialists from Portugal, Holland, and Britain do not require further elaboration.

After three millennia, things have changed the landscape of the world. With the advent of technological advances, entire economies of the world have changed rapidly. With drastic changes in climate, there are new emerging shipping routes which have hitherto never been used for commercial transport.

If there is a rapid trend in receding ice around the North Pole, the Arctic could be used more reliably for navigation, at least during summer months. The Northwest Passage crossing Canada's Arctic Ocean could become usable on a regular basis by 2020 and there is a possibility of commercial shipping between Europe and Asia, thus obviating the need to cross Suez Canal, which is time consuming, uses up more fuel, harms the environment, and is costly. This would significantly reduce the shipping operations in the Asian ports.

One report says that "China became the latest country to navigate the Northern Sea Route last week when its vessel 'Snow Dragon' arrived in Iceland. Linking the Pacific Ocean to the Atlantic, the Northern Sea Route allows ships to cut down on travel time from Asia to Europe by edging through the icy waters between north Russia and the North Pole. China's adventure shows its growing interest in the route. But they're not the only ones whose appetites have been whet by the thawing of the Arctic: many in the Northern Hemisphere would welcome a commercial course that could rival the current route." (Source: France 24 International News). These are the real factors that would contribute to global competition in the years ahead.

Technological innovations

The innovation in technological advances would drive less developed countries away from the competition. Since the global competition is highly regulated in favour of the developed countries, it would be extremely difficult for developing countries like Sri Lanka to keep pace with changing technologies that would require infusion of capital to upgrade the infrastructure.

Telecommunications and information technology are vital areas where State infrastructure needs continuous upgradation. The international trade law is subject to further changes in favour of the protectionism pursued by developed countries and also due to rivalry from the emerging economic powers like BRICS.

How could a Government beset with a mounting debt burden be able to assist and position local enterprises to face global competition? What incentives could the Government offer for local industries



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in improving the productivity and innovation in Sri Lankan products in order to compete in global markets?

What industrial research is being undertaken by the State industrial research organisations (research includes universities but they are shut due to Government inability to engage the Teacher Union in a meaningful dialogue) in support of local industries? Has the mandate of Industrial Development Board of Sri Lanka been fully realised?

What efforts have been made by the Export Development Board in positioning local companies to participate in export opportunities? Can the Government change the ambit of Export Development Board to an Import Export Bank of Sri Lanka by repealing the legislation and introducing a new legislation?

What is the level of performance by our diplomats stationed overseas to look into economic opportunities? Are they pursuing their own agendas at the expense of public money? Is there a holistic policy alternative by the Government to brace for ever-changing global competition?

The debt ratio has escalated due to haphazard borrowing from commercial banks and meaningless investments in infrastructure that have no immediate benefit to the economy. The only remedy to deescalate our debt burden is by increasing our export potential. In order to increase exports the local exporters needs to be kept abreast of global competition. This would be a difficult task unless government changes policies in support of the local industries.

The performance of the business lobby in Sri Lanka is pretty abysmal and a greater participation is required in order to secure incentives for the local industries. The business chambers and export development forums require much broader engagement of government and legislators on policy issues.

Barriers to access to global markets

The World Trade Organization (WTO) is a central global institution which governs global trade. WTO consists of over 150 countries and has direct influence over the conduct of 95% of global trade. Decisions of the WTO are made by the member states and various factors would come into play when making decisions and some developed countries with global influence could articulate trade policy in a manner that would protect their industries.

In 2001 the first such Ministerial round was held in Doha Qatar and it was thus came to be known as

Doha round of talks followed by similar discussion in various parts of the world and known by the city in which discussions were held. The main objective of the Doha round was on anti-dumping (AD) and subsidies and countervailing measures (ASCM).

In the real world, trade pricing is the crucial factor in securing contracts. There is a flood of Chinese manufactured low quality goods, without any quality control and assurance (QC/QA) standards penetrating the global markets. A number of traditional manufacturers have been driven to bankruptcy owing to the Chinese factor. It is important that an international convention be adopted by WTO member countries to stem the low quality goods from being dumped in global markets. WTO too should actively look into the mass scale breach of patent rights and remedial action be taken against such violators.

Positioning Sri Lankan manufacturers

Given this extremely difficult global competitiveness, how do we position Sri Lankan companies to secure contracts in global markets? A product cannot be marketed overnight unless an awareness of the product is communicated first to the global market. The communication is the first shot in global marketing.

A local manufacturer needs to approach the global markets through effective communications and through promotions. Sri Lankan exporters and manufacturers should participate in international trade fairs and the Government must assist local industries in this regard. It would be difficult to accommodate all tea exporters in one exhibition and but the cost can be mitigated if our diplomatic missions make a collective effort to promote all brands of Sri Lankan tea at every available opportunity.

Product innovation is the next step in attracting customers. It requires continuous innovation in order to be competitive. Minister Rajitha Senarathne was actively involved in securing a construction contract from Qatar for Sri Lanka State Engineering and Construction Corporation. Colombo Dockyard under the able direction of Mangala Yapa continues to secure overseas contracts. These are the real efforts of Sri Lankans who have the vision for a better Sri Lanka. Have these individuals been honoured in Sri Lanka?

(The writer is a freelance journalist and a political lobbying and government affairs consultant.)